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SIPDIS

SENSITIVE

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SUBJECT: 2005 - Austria's Year of Commemoration

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**1.** (SBU) SUMMARY: In the "Jubilee Year" of 2005, Austria is observing a number of significant anniversaries. Most prominent are the 50th anniversary of the Austrian State Treaty and the 60th anniversary of the reestablishment of the Austrian Republic after the end of World War II. Austria also celebrates the 10th anniversary of its EU membership and looks toward its EU Presidency in the first half of 2006. As it commemorates these events, and shapes its strategies for the EU Presidency, Austria is seeking confirmation of its role as hub at the center of Europe, and as a bridge between cultures and peoples promoting peace and stability, especially in Eastern and Southeastern Europe. Chancellor Schuessel's center-right coalition has made important progress on economic, structural and administrative reform since it took office in 2000, but still confronts the need for further modernization. End Summary.

The State Treaty: Highlight of A Year of Commemorations

**2.** (SBU) As it looks back on its post-World War II history, Austria is celebrating various anniversaries in 2005, the highlight being the 50th anniversary of the signing of Austria's State Treaty on May 15. The State Treaty reestablished Austria as a sovereign state after 10 years of occupation by the four Allied Powers, the United States, the Soviet Union, Great Britain and France. The State Treaty is one of the foundations of Austria's modern identity and is a symbol of Austrian freedom and independence. The State Treaty was the result of years of tough negotiations among the four powers and between Austria and the Soviet Union. Austrians consider this "miracle of 1955" to be a notable achievement of Austrian diplomacy. They see it primarily as having spared Austria from a Germany-type division into occupation zones and a tense existence on the front lines of the Cold War. While the Treaty now serves principally as an historic document, its provisions on the status of Austria's ethnic minorities in Austria are still relevant, constituting the fundamental guarantee of the ethnic groups' rights.

Neutrality

**3.** (SBU) Austrian neutrality was a condition the Soviet Union imposed for the conclusion of the State Treaty. A few months following the signing of the State Treaty, Austria passed a constitutional law declaring itself neutral in perpetuity. Neutrality has lost some of its relevance since the end of the Cold War and Austria's accession to the EU and participation in NATO's Partnership for Peace. Several provisions now allow participation in military actions under UN or EU mandates. However, remembrance of the horrors and hardships of the Nazi and postwar eras has given neutrality the aura of a nation-defining myth which large sections of the public still cherish. As neutrals, the Austrians were different from their (capitalist) West German or (Communist) East German cousins. Somewhat illogically, Austrians often credit their neutrality, rather than their geographical and ideological closeness to the Western alliance, with maintaining Austria's peace and security through the Cold War.

Austria's International Identity

**4.** (SBU) Located in the center of Europe, Austria is a hub for relations with the formerly Communist East. The importance of this location increased as its Eastern neighbors joined the EU en masse on May 1, 2004. Austria's pre-World War I ties to Southeastern Europe as the former center of the Habsburg Empire have imbued Austria with a sense of mission to help promote stability in the region. In order to foster reform in these countries, especially the war-torn Western Balkans, Austria strongly advocates the aspirations of the entire

region to take part in European integration and eventually to accede to the European Union. Austria perceives itself as having a vocation to act as a mediator in resolving regional conflicts, such as in Kosovo. Austria also has important economic interests in the region. It is among the top investors in Southeastern Europe, and its banking institutions, in particular, have a growing role in the region.

15. (SBU) Among Austria's initiatives for closer relations with Eastern and Southeastern Europe is its "Regional Partnership" with Slovakia, the Czech Republic, Slovenia, Hungary and Poland. In 2004, the Partnership drafted a Kosovo concept paper which included proposals for minority rights, decentralization and protection of religious sites.

#### 2006 EU Presidency

16. (SBU) During its EU Presidency in the first half of 2006, Austria plans to focus its efforts on the Balkan countries. Austria is a strong advocate of beginning EU accession negotiations with Croatia, and also plans to promote EU memberships for Bosnia-Herzegovina, Macedonia and Albania. Austria also wants to see Serbia-Montenegro, including Kosovo, join the EU. Austria is therefore thinking of preparing a Balkans conference in 2006 in cooperation with the UN - if those interested in the region, including the U.S. and Austria's EU partners, consider that conditions are right for progress on the thorny status questions.

#### Domestic Situation

17. (SBU) Austria has a center-right government led by Chancellor Wolfgang Schuessel of the conservative People's Party (OVP). Schuessel concluded a coalition with the controversial right-wing populist Freedom Party (FPÖ) in 2000, and renewed this coalition in 2003 following the 2002 parliamentary elections. The governing coalition has implemented an impressive list of items on its reform agenda, ranging from changes in the pension system to macroeconomic structural improvements, tax cuts and significant privatization measures. However, the government still has some business to finish, including continued rightsizing in the public sector, simplifying and streamlining the social welfare system, further labor market reforms, and implementing the EU's ten-year economic growth agenda, known as the "Lisbon Program."

18. (SBU) The coalition is not stable at the moment. In spring 2005, the Freedom Party fractured, with its national leadership (spearheaded by the controversial Governor of Carinthia, Joerg Haider) leaving to form a new grouping, the "Alliance Future Austria" (BZÖ). The BZÖ ministers have expressed their strong commitment to continuing the coalition with Schuessel's OVP until the next regular parliamentary elections, scheduled for fall 2006. Still, observers have noted increased instability as a result of the FPÖ split, fueling widespread speculation about the possibility of early elections in the fall of 2005.

#### Shadows of the Past

19. (SBU) In the midst of this political turbulence, two older, hard-core nationalist members of the largely powerless Upper House of Parliament made inflammatory comments questioning the existence of the Nazi gas chambers and complaining of post-war "persecution" of Nazis by the Allies. These outbursts raised a storm of public protest from across the political spectrum. Austria's entire political leadership, including the FPÖ and BZÖ, joined in calls for the two deputies to resign.

10. (SBU) COMMENT: In this anniversary year, Austrians are recalling the suffering the country both experienced and inflicted during the Nazi era. Just one week before the May 15 observances, at the May 8 ceremony commemorating the 60th anniversary of the liberation of Mauthausen concentration camp by American forces, the clear message of the many Austrian dignitaries present was "never forget". Austrian Cardinal Christoph Schoenborn recalled characterized Mauthausen as a place that became "hell on earth" for seven years. President Fischer summoned Austrians to confront their history and be vigilant, stressing that "looking the other way is not the answer. The memory of evil is to be our shield against evil." Austrians are also remembering the time of deprivation they lived through immediately after World War II. Austrians are honoring the determination of the hard-working generation that rebuilt the country's

infrastructure and economy, thereby laying the foundation of Austria's modern prosperity. However, Austrians are still mindful of the extensive assistance they received in this effort from the U.S., notably under the Marshall Plan. While Austria has been neutral in a military sense since 1955, there has been no doubt that in terms of political freedoms and its economic system, Austria has been firmly rooted in the West.

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